Abstract: the present research is concerned with estimating the macroeconomic effects on the Italian economy of an increase in the productivity of government activities triggered by the full implementation of the recent structural reform of public administration. There are several levers through which an increase in public sector's productivity may affect the drivers of economic growth: increases in overall productivity, reductions in transaction costs, externalities.
We employ a structural macroeconometric model of the Italian economy to analyse how a more productive public sector - whose performance we measure through a novel set of indicators - can positively affect the aggregate economic activity.
Two main results emerge. First, a conceivable shock that improves the public sector's efficiency (i.e., a one-time 10% increase) significantly enhances the size and the pace of overall output. Second, and more notable, we find that even the long-run rate of growth of GDP is permanently increased.